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13 December 1971

28/2

MEMORANDUM FOR RECORD

SUBJECT: CIA's Support of Mr. Peter G. Peterson's Briefing Presentations

1. Since March 1971, the Agency has been deeply involved in assisting Mr. Peter G. Peterson in preparing briefing presentations in his new role as the Assistant to the President for International Economic Affairs and Chairman of the President's Council on International Economic Policy (CIEP). Our initial assignment was to prepare presentation boards depicting the "United States in the Changing World Economy" -- 1950-70 -- to be used in briefing the President and members of the cabinet. Some 40 boards were prepared during the two weeks between the time we were given the assignment in mid March and the actual presentation. Because of the deadline, the project was given priority over other work in both OER and in cartography (OBGI/CD) and, as such, required considerable overtime. Numerous other agencies were supposed to supply the material but in fact provided only about half of the needed data. In addition, much of the statistics provided by other agencies was incomplete and there were many inconsistencies. Thus, OER ended up undertaking considerable research and statistical verification for the project.

2. Soon after the Presidential briefing and several other high level ones in early April, Mr. Peterson decided that lugging 40 boards around was inconvenient and requested that 35mm slides be made. In addition, several new charts were to be prepared and some of the older graphics revised. Within a few days some 60 colored slides were completed and delivered to Mr. Peterson. Because of the short deadline, the slides were photographs of the presentation boards, a technique that does not produce good quality slides.

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Mr. Peterson was informed of this shortcoming, but because of the immediacy of his needs he indicated it did not matter. Shortly thereafter, however, he requested that a new set of slides be prepared. This required drawing each of the 60 graphics individually on 8 by 10-inch sheets and photographing them. This job took about two weeks on a crash basis and was completed in late April.

3. Also, during April the President asked that the graphics be turned into a briefing book for public dissemination. At Mr. Peterson's request, we prepared copy for each chart within a deadline of two days. To our factual presentation, Mr. Peterson added his own views and thoughts and ended up with 133 pages of text. At Mr. Peterson's request in May, we prepared one hundred copies of the text with charts for high-level dissemination within the administration. A meeting was held at Camp David in late May at the Assistant Secretary level to discuss the book before it was released publicly. Most of those attending indicated the book was too controversial to release. Mr. Peterson subsequently dropped the idea of publishing his work in this form.

4. According to Mr. Peterson's staff, however, the President still wanted a briefing book published and in July, Mr. Peterson requested that a revised book be published with a descriptive text that excluded controversial statements. This request required the updating and revision of some graphics. In addition, at the CIEP's request, individual covers were prepared bearing each Congressman's name. After numerous changes, in August we received final approval from Mr. Peterson for printing, but within an hour after printing had begun, he called back to say that he had some second thoughts about the text and to hold up the printing. Weeks went by while the job remained at the printing plant fully completed except for binding. Although we asked CIEP numerous times for a decision, they could not obtain a definitive answer from Mr. Peterson. Finally the CIEP reported that the book would not be released, and all copies were destroyed.

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5. On 27 October, Mr. Peterson informed us again that the President still wanted to publish the briefing book. The request included preparation of about 15 new graphics and revision of the earlier ones, many of which had become outdated. Leery of the past difficulties, we told Dr. Gus Weiss, a new assistant to Mr. Peterson, that his request would have to be spelled out very clearly as to timing and content before we went ahead with the project and appropriate high-level Agency approval would be required. A system was suggested by us and accepted by CIEP that all graphics would be presented to Mr. Peterson in an initial drafting stage for his approval and suggested changes would be made at that time.

6. On about 22 November Mr. Peterson asked that the book be published in mid December. Printing Services Division agreed that the book could be published by 15 December if they had all the material by 10 December. After 15 December, the project would have to be printed next year because of other scheduled work that could not be delayed. Dr. Weiss informed us that Mr. Peterson would ask the DCI for priority status for the project. The DCI agreed and graphics worked full time on the project, completing some 78 charts on schedule. Printing Services Division also made preparations for a priority effort setting aside other projects.

7. All pre-printing targets were met by the Agency. We revised the graphics, taking into consideration Mr. Peterson's changes, and had the text supplied by CIEP -- one similar to the 133-page document prepared earlier -- typed on tapes. The text was sent to Mr. Peterson for his final approval. He again made numerous changes and directed Dr. Weiss to revise the text to make it less personal. Under Dr. Weiss' guidance the changes were made and on 8 December the text was once again submitted to Mr. Peterson. We indicated that because of the continuous textual changes, time was slipping and we could not accept any more changes after 10 December if we were to meet the agreed upon publication deadline of 15 December. We learned from Dr. Weiss on 10 December that Mr. Peterson wanted to make still further changes in the text and that he was having some second thoughts on the approved graphics. The status of the book is now again in limbo.

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8. The above is only a brief summary of the problems and difficulties we have faced on this project. It does not adequately describe the considerable effort required in putting together a document with so many graphics and the work and frustrations resulting from the numerous changes in the text and graphics requested by Mr. Peterson, sometimes almost hourly. In our opinion, all components of the Agency involved in this work -- in particular OER, OBGI/CD, and PSD -- have performed admirably, meeting all deadlines and exhibiting great patience. Mr. Peterson's penchant for changing his mind, however, has made it impossible to meet his requests and carry on our normal work load.

Cost Estimates

9. Work on Mr. Peterson's briefing boards, slides, printed charts, and textual presentations involved personnel from OBGI (Cartographic Division, and OER (FW/FE and St/P). At a minimum 3500 man-hours were used for the project as follows:

OBGI/ CD	1,500
PSD	500
OER/St/P	700
OER/FW/FE	800
Total	3,500

Because many of these hours included paid overtime in CD and PSD, the average direct hourly manpower cost is estimated at $10 for a total of $35,000. Material costs mainly by PSD are estimated $5,000, thus the project's total cost excluding any overhead is estimated to be at least $40,000.

10. The costs in non-monetary terms -- primarily foregone CIA projects -- also have been quite high. On several occasions during the past nine months OBGI/CD devoted their full attention to Mr. Peterson's project, postponing other agency work. In addition, OER's already heavy publications schedule was taxed further by the increased work load. Other publications had to be held up by the Publications Staff and FW/FE research postponed.

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MEMORANDUM FOR: Mr. Paul V. Walsh
ADDI
7E44

EWP
PW

Enclosed is a review of CIA's involvement in Peter G. Peterson's briefing presentations and the estimated cost to the Agency. Also attached for your interest is a copy of a Wall Street Journal article dealing with Mr. Peterson's briefing efforts.

STAT

Chief, Far East Branch

13 December 1971
(DATE)

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Trade Tightrope

Nixon Aide Peterson Has Controversial Ideas On Overseas Dealings

To Help U.S., He Considers Softening Antitrust Laws, Tax Breaks for Exporters

But How Tough Can He Be?

By JOHN PIERSON
Staff Reporter of THE WALL STREET JOURNAL

WASHINGTON—"Tora! Tora! Tora!" Only this time, instead of dive-bombers, Japan is sending us steel, radios, cars and cloth. And instead of Saturday night at the movies, it's Tuesday or Wednesday morning at the White House, and Peter G. Peterson, President Nixon's new assistant for international economic affairs, is showing slides.

Less dramatic than bombs surely, but Mr. Peterson's graphs and charts, depicting trade trends, are nonetheless starting to awaken some powerful people here to a growing challenge the U.S. faces in international trade. "It's going to be a much more economic world and a much more competitive one," he tells them.

Mr. Nixon, who confers almost daily with Mr. Peterson, hardly misses a chance now to warn that in two more years Japan will pass the U.S. in steel production. Or that with Britain in the Common Market, competition from Europe is going to be "a continuingly more difficult problem."

Catching the President's eye is one thing; finding workable solutions is another. Mr. Peterson, the former chairman and chief executive officer of Chicago's Bell & Howell Co., modestly maintains that he has only begun to figure out the questions. But interviews with him and with men he has been talking to indicate that already he has begun toying with some controversial answers, such as:

—Government subsidies for research and development in computers or other high-technology products in which the U.S. has an advantage over its trading partners (but no help for low-technology industries, such as shoes, in which America is less competitive).

—Softer antitrust laws to give U.S. companies more power to compete abroad.

—Tax breaks for exports and investment incentives for companies that sell overseas.

—Realignment of the relative values of the dollar, the yen, the mark and other currencies to make U.S. products relatively cheaper in world markets.

—A get-tough policy toward Europe and Japan on trade restrictions and defense cost-sharing.

Road Mined With Conflicts

As these controversial ideas indicate, Mr. Peterson's road ahead is mined with conflicts not only between the U.S. and other nations but also between business and labor, Democrats and Republicans, Congress and the White House, the State Department and the Treasury, free-traders and protectionists, central planners and free-enterprisers—to name a few.

Mr. Peterson has undertaken the journey with impressive credentials. A summa cum laude scholar at Northwestern University, he was a successful advertising man before becoming Bell & Howell's executive vice president at 31 and chairman of the camera company at 41. Mr. Nixon has described him as "one of the ablest . . . chief executive officers of this generation." As chairman of a private commission looking into the tax treatment of philanthropic foundations, he won the respect of Arkansas' Rep. Wilbur Mills, chairman of the House Ways and Means Committee, which handles trade legislation. A powerful ally in the White House is George Shultz, director of the Office of Management and Budget, who recommended Mr. Peterson to Mr. Nixon.

According to the President, the 45-year-old Mr. Peterson's assignment is to "bring some form, some central direction" to U.S. policy in the fields of international trade, investment, balance-of-payments and finance.

Mr. Peterson has begun by trying to bring himself and others "up to date" on the trade problems and the important trends of the past 20 years. These have been reduced to a series of colored charts and graphs, which he reworks and reworks again, as one official describes it, "like a dog worrying his bone." The charts and graphs are flashed on a screen (with, Mr. Peterson ruefully discloses, a projector made not by Bell & Howell but by Eastman Kodak) while he gives a running commentary to his audience of Congressmen, business leaders, labor bosses or White House aides.

A Complexity of Reasons

The problems, as Mr. Peterson sees them, go something like this: In the years right after World War II, when Europe and Japan were still on their knees, the U.S. could dominate world trade. Now, with U.S. help, Europe and Japan are back on their feet and giving the U.S. a run for its money. Some analysts blame low foreign wages for America's declining trade balance. Others maintain that this country's trading partners are unfairly subsidizing exports and penalizing imports. Still others claim the dollar is overvalued in relation to European currencies, while the Japanese yen is undervalued in relation to the dollar.

Whatever the reason, U.S. exports are lagging and imports are rising, which adds to the balance-of-payments deficit and the threat of a world money crisis. It also adds to unemployment and fuels demands from U.S. labor and some industries for restrictions on imports.

Meanwhile, to escape foreign tariffs and take advantage of cheap foreign labor, some American companies are setting up shop abroad, which costs additional jobs at home. So labor demands controls on exports of capital and technology. The employment problem could become acute, as there will be 20 million

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Trade Tightrope: Nixon Adviser Considers Controversial Steps

Continued From Page One

more Americans looking for jobs by the end of the decade.

What to do? In the first place, Mr. Peterson firmly believes that the U.S. should remain a trading nation. "We can either pull in our horns and say were going to withdraw from competing effectively," he observes, "or we can say we have the resources to compete and win. For example, I am told we spend more on space than Japan spends on all research and development. So we have the scale to invest in our country's economic future, if we have the will to do it."

"Then", he continues, "we have to look at where our country's comparative advantage is going to be." Its here that Mr. Peterson raises the question whether the government shouldn't help high-technology industries—computers, nuclear power plants and the like—with low-interest loans, tax breaks and other subsidies as well as antitrust exemptions to help them develop new products, modernize plant and equipment and compete more effectively abroad.

Naturally, there would have to be some mechanism for deciding which industries the government would help and which it would ignore. As this gets into centralized planning, anathema to many Americans, Mr. Peterson hastens to add that he's only talking about "limited" planning. And even limited planning may be a long way off. Right now, he's thinking about a bipartisan committee to help figure out what sort of planning ought to be done and how.

In addition, Mr. Peterson says the U.S. will certainly have to take a firmer line with the Europeans and Japanese on the question of our economic interests, their trade and investment restrictions and sharing of the defense burden. "Japan is a particularly urgent example," he adds. Presumably this line will include pressure on Japan to raise the yen's value and to end restrictions on imports of goods and capital, as well as pressure on Europe to lower its barriers to U.S. foodstuffs. "I think we'll be tough-minded and firm, but our objective is a constructive one and certainly, not to drive the Europeans and the Japanese inward," says Mr. Peterson.

Organized labor, he feels, has "exaggerated somewhat" the impact of U.S. overseas operations on the domestic job market, although the data aren't complete. Restrictions on capital movements, he warns, would reduce U.S. competitiveness, tempt retaliation, undermine Western defenses and damage the American "spirit." But he does favor a "far bolder" approach to helping companies and workers injured by the free flow of goods and investment, though thus far the details haven't been disclosed.

The Old Virtues

Mr. Peterson's approach to economic problems abroad leads inevitably to important questions about America's future at home. A self-made man whose father came from Greece and changed his name from Petropoulos, Mr. Peterson is a strong believer in the virtues of hard work and competition. Like President Nixon, he deplores what he sees as a current overemphasis, particularly among the young, on leisure and a disdain for technology and economic growth. "In this kind of world economy, if you're going to grow, it's important that you be competitive," he says.

The need for growth is taken for granted. "If you're going to pay for environmental and poverty programs, you've got to have growth," he says. And technology and growth need not ruin the environment, Mr. Peterson believes, for pollution controls can be "built into" a product. The government, he adds, may have to "stimulate, subsidize and plan" in such fields as energy, water and transportation, where it's "in the long-term interest of the country and may be too expensive for the private sector."

The very thought of such government intervention is enough to raise the blood pressure of some. One administration man, with long experience in business, thinks Mr. Peterson has become fascinated with Japan (Mr. Peterson punctuates his talk with an occasional "ah-so"), where government and business work closely to set and meet economic goals. But unlike the U.S., this official cautions, Japan is "a regimented society." (Mr. Peterson himself says that planned economies have tended to have "lots of distortions and not as much initiative or innovation.")

Another Big Question

Even if everyone agreed on the need for central planning, says another insider, "is it the real world," to expect labor and management, Congress and the executive, Democrats and Republicans to agree on how to allocate the nation's resources?

Another big question is whether Mr. Peterson, an avowed believer in free trade, can stand up to the growing pressure from labor and some industries to cut back U.S. imports of goods and exports of capital and technology. Abe Morganstern, research director for the International Union of Electrical Workers, came away from a Peterson chart-show feeling that "his approach may be good for the long run, but what are we going to do to put our unemployed people to work now?"

Others wonder if Mr. Peterson is tough enough to persuade the Japanese and Europeans to abandon some of their "unfair" trade practices. One official at the Agriculture Department feels Mr. Peterson gave in too easily to the British in a recent negotiation over U.S. grain sales to Britain. But Ben Heineman, chairman of Northwest Industries and an old friend and golf buddy of Mr. Peterson's, says that "if he negotiates with the Japanese as hard and as well as he does on the first tee, he'll be a great success."

If Mr. Peterson tries to get too tough with U.S. allies, he'll almost certainly collide with the State Department and possibly with Henry Kissinger, Mr. Nixon's powerful assistant for national security affairs. It was partly to get trade problems out of the hands of the department, which is widely regarded as "soft on foreigners" when it comes to trade, that Mr. Peterson's job was created in the White House.

Connally Clash Seen

While Mr. Peterson directs the work of the new Cabinet-level Council on International Economic Policy, the council's "operations group" is chaired by Nathaniel Samuels, deputy under secretary of state for economic affairs. And in any showdown Mr. Kissinger, who knows and cares little about economics, is likely to side with the State Department.

Insiders also predict an eventual clash between Mr. Peterson and Treasury Secretary John Connally over international monetary policy. While he's soon to add a monetary specialist to his staff, Mr. Peterson has been wary about moving into a field the Treasury has long regarded as its own. But many people in this town agree with Democratic Rep. Henry Reuss of Wisconsin, the House's leading expert on the subject, that "international monetary policy is too important to be left to the Treasury."

An example of the Treasury's jealousy and power can be seen in the recent agreement among major Western trading nations to begin considering trade issues; at the Treasury's insistence, the high-level Committee of the Organization for Economic Cooperation and Development won't get into monetary problems at all. "Who's the boss, Connally or Peterson?" wonders Connecticut's Democratic Sen. Abraham Ribicoff, who has been holding hearings on U.S. foreign trade.

Mr. Peterson says he has far less spare time in his new $42,500-a-year job than he did in his old $125,000 job. He was so busy the other night that instead of going home to change for a formal White House dinner he sent a car to fetch his tuxedo.

Mr. Peterson is going about the job with energy and, according to one colleague, "an intellectual flexibility that transcends that of the average American businessman." And a touch of humor. Among his favorite phrases is: "This field is ready for some new cliches."

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